

Message Text

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ORIGIN OPIC-06

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USIE-00 SSO-00 INRE-00 CIAE-00 INR-07 NSAE-00

COME-00 TRSE-00 AID-05 OMB-01 /039 R

DRAFTED BY OPIC/GC L S WEISENFELD

APPROVED BY EB/IFD/ OIA;R S SMITH

EB/IFD/OIA;D H STEBBING

ARA/CEN:DJOHNSON

-----090010Z 002940 /62

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FM SECSTATE WASHDC

TO AMEMBASSY TEGUCIGALPA NIACT IMMEDIATE

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E.O. 11652:N/A

TAGS: EINV

SUBJECT: HONDURAS VISIT - VALLEY PALLET PROJECT DISCUSSIONS

PASS TO MARGARET KRUMHOUT, COMMERCIAL OFFICER

1. OPIC DEPUTY VICE PRESIDENT FOR FINANCE, JOHN CULMAN, AND OPIC COUNSEL LORIN WEISENFELD, REQUEST EMBASSY CONCURRENCE IN VISIT TO TEGUCIGALPA APRIL 12 - 18 FOR PURPOSE OF MEETING WITH OFFICIALS OF COHDEFOR, THE PROPOSED LOCAL PARTNER IN THE VALLEY PALLET JOINT VENTURE, TO EXPLORE PROVISIONS OF THE OPIC DRAFT LOAN AGREEMENT ALLEGEDLY IN CONFLICT WITH HONDURAN LAW AND RESOLVE SUCH CONFLICTS AS MAY, IN FACT, EXIST.

2. CULMAN AND WEISENFELD WILL ARRIVE TEGUCIGALPA BY PLANE FROM MIAMI. KINDLY CONFIRM RESERVATIONS MADE BY THEM IN LIMITED OFFICIAL USE

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HOTEL PRADO.

3. AMONG THE CONDITIONS PRECEDENT TO THE LOAN AGREEMENT IS THE RECEIPT OF AN EXEMPTION FROM LOCAL INTEREST INCOME TAXES STANDARD TO ALL OPIC AGREEMENTS. AS THIS IS THE FIRST OPIC LOAN IN HONDURAS OPIC BELIEVES IT DESIRABLE TO PROFIT FROM CULMAN'S EXPERIENCE IN THESE MATTERS AND RAISE THE TAX

QUESTION WITH HONDURAN OFFICIALS ON THIS VISIT. TO ASSIST
THE EMBASSY IN OPENING DISCUSSIONS, A NOTE HAS BEEN

PREPARED WITH THE FOLLOWING TEXT:

QUOTE.

EXCELLENCY:

I HAVE THE HONOR TO REFER TO THE GENERAL AGREEMENT FOR
ECONOMIC COOPERATION BETWEEN THE GOVERNMENT OF THE UNITED
STATES OF AMERICA AND THE GOVERNMENT OF HONDURAS (THE
"AGREEMENT") SIGNED IN TEGUCIGALPA, HONDURAS, ON APRIL
12, 1961, AND TO REQUEST CONFIRMATION OF THE CONTINUED
APPLICABILITY OF PROVISIONS OF THE AGREEMENT WITH RESPECT
TO EXEMPTION FROM TAXATION OF FUNDS EMPLOYED BY MY GOVERN-
MENT IN IMPLEMENTATION OF ITS PROGRAM OBJECTIVES.

BY THE TERMS OF THE AGREEMENT, THE GOVERNMENT OF THE
UNITED STATES COMMITS ITSELF TO FURNISH ECONOMIC, TECHNICAL
AND RELATED ASSISTANCE TO THE GOVERNMENT OF HONDURAS IN
FURTHERANCE OF THE DEVELOPMENT OBJECTIVES OF BOTH NATIONS.
IN ORDER TO ASSURE THAT MAXIMUM BENEFITS ENSUE FROM THE
ASSISTANCE SO FURNISHED, IT IS STIPULATED IN ARTICLE V OF
THE AGREEMENT THAT FUNDS INTRODUCED INTO OR ACQUIRED IN
HONDURAS BY THE GOVERNMENT OF THE UNITED STATES SHALL, TO
THE EXTENT THAT THEY ARE USED IN CONNECTION WITH THE AGREE-
MENT, BE EXEMPT FROM ANY TAXES AND THAT THE IMPORT OR
EXPORT, USE OR DISPOSITION OF THESE FUNDS IN CONNECTION
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WITH THE AGREEMENT SHALL BE EXEMPT FROM ANY TARIFFS,
CUSTOMS DUTIES, IMPORT AND EXPORT TAXES, TAXES ON PURCHASES
OR DISPOSITION OF PROPERTY, AND ANY OTHER TAXES OR SIMILAR
CHARGES IN HONDURAS.

THE OVERSEAS PRIVATE INVESTMENT CORPORATION ("OPIC")
IS THE SUCCESSOR IN INTEREST TO THE AGENCY FOR INTERNATION-
AL DEVELOPMENT ("AID") WITH RESPECT TO THE MAKING, BY AN
AGENCY OF THE UNITED STATES, OF DIRECT LOANS TO PRIVATE
SECTOR BORROWERS IN LESS DEVELOPED FRIENDLY STATES.
AUTHORIZATION TO CONTINUE A PROGRAM OF DIRECT LOANS TO
PRIVATE SECTOR ENTERPRISES WAS TRANSFERRED FROM AID TO
OPIC IN 1971 FOLLOWING AMENDMENT OF THE FOREIGN ASSISTANCE
ACT OF THE UNITED STATES IN SUCH A MANNER AS TO ENHANCE
THE ABILITY OF MY GOVERNMENT TO ASSIST PRIVATE ENTERPRISE
TO PLAY A MORE EFFECTIVE ROLE IN THE DEVELOPMENT PROCESS.
BY AMENDMENT TO THE FOREIGN ASSISTANCE ACT THE UNITED
STATES CONGRESS CREATED OPIC, PROVIDING THAT IT "SHALL BE
AN AGENCY OF THE UNITED STATES UNDER THE POLICY GUIDANCE

OF THE SECRETARY OF STATE." AS AN AGENCY OF THE UNITED STATES OPIC PAYS NO TAXES, EITHER TO THE FEDERAL GOVERNMENT OR ANY POLITICAL SUBDIVISION THEREOF AND ENJOYS ALL OF THE PRIVILEGES OF THE OTHER DEPARTMENTS AND AGENCIES OF THE

GOVERNMENT. OPIC IS AUTHORIZED BY UNITED STATES LAW TO PLEDGE THE FULL FAITH AND CREDIT OF THE GOVERNMENT FOR THE PERFORMANCE OF ITS FINANCIAL OBLIGATIONS.

OPIC'S MANDATE, AS SET FORTH IN THE FOREIGN ASSISTANCE ACT, AS AMENDED, IS AS FOLLOWS:

TO MOBILIZE AND FACILITATE THE PARTICIPATION OF UNITED STATES PRIVATE CAPITAL AND SKILLS IN THE ECONOMIC AND SOCIAL PROGRESS OF LESS DEVELOPED FRIENDLY COUNTRIES AND AREAS, THEREBY COMPLEMENTING THE DEVELOPMENT ASSISTANCE OBJECTIVES OF THE LIMITED OFFICIAL USE

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UNITED STATES.

IN FULFILLMENT OF THIS OBJECTIVE, OPIC INSURES INVESTMENTS IN APPROXIMATELY 80 COUNTRIES AGAINST THE RISKS OF EXPROPRIATION, INCONVERTIBILITY OF CURRENCY, AND LOSS DUE TO WAR, REVOLUTION, AND INSURRECTION. ADDITIONALLY, OPIC PROVIDES PROJECT FINANCING AND RELATED FINANCIAL SERVICES WHERE PRIVATE FINANCING IS INADEQUATE OR UNAVAILABLE ON APPROPRIATE TERMS. THREE SUCH FINANCING PROJECTS ARE PRESENTLY CONTEMPLATED IN HONDURAS.

AS AN AGENCY OF THE UNITED STATES ENGAGED IN THE FURTHERANCE OF THE DEVELOPMENT ASSISTANCE OBJECTIVES OF THE UNITED STATES EMBODIED IN THE FOREIGN ASSISTANCE ACT, AND AS THE SUCCESSOR TO AID WITH RESPECT TO THE PROGRAM OF DIRECT PRIVATE SECTOR LOANS, WE BELIEVE THAT OPIC IS EXEMPT, BY VIRTUE OF ARTICLE V OF THE GENERAL AGREEMENT FOR ECONOMIC COOPERATION BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF HONDURAS, FROM TAXATION UPON INTEREST INCOME EARNED IN HONDURAS. IN ORDER TO CLARIFY THE BASIS UPON WHICH FURTHER DISCUSSIONS ARE HELD WITH RESPECT TO THE THREE AFOREMENTIONED PROJECT FINANCINGS, MY GOVERNMENT RESPECTFULLY REQUESTS THAT THE GOVERNMENT OF HONDURAS CONFIRM THE TAX EXEMPT STATUS OF OPIC.

ACCEPT, EXCELLENCY, THE RENEWED ASSURANCES OF MY HIGHEST CONSIDERATION. UNQUOTE.

4. EMBASSY AUTHORIZED TO MAKE MINOR CHANGES IN STYLE AND, IF DEEMED DESIRABLE, TO SEND NOTE IN LETTER FORM TO

MINISTRY OF FINANCE. KINDLY MAKE APPOINTMENTS AT APPROP-
RIATE GOVERNMENT LEVEL TO DISCUSS TAX QUESTION. DECONTROL
ON APRIL 8, 1978.
VANCE

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: JOINT VENTURES, LOAN AGREEMENTS, VISITS
Control Number: n/a
Copy: SINGLE
Sent Date: 08-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Drafter: GC L S WEISENFELD
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770123-0969
Format: TEL
From: STATE
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1977/newtext/t19770472/aaaaclda.tel
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